



Environmental Services Division
Energy and Waste Management Bureau

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MARKET REMAINS VOLATILE AS GASOLINE PRICES RETREAT AND DIESEL PRICES CLIMB

DES MOINES -- With summer travel coming to a close and with gasoline inventories in the upper half of the average range, prices for gasoline in Iowa have declined over the past several days. With Labor Day around the corner, which signals the end of the summer driving season, consumers can expect a modest price increase heading into the holiday weekend.

“While stable gasoline inventories and lower prices are good news for consumers, ongoing geopolitical unrest and the peak hurricane season could keep the market volatile, which could send prices back up,” said Tami Foster, energy data analyst for the DNR.

While gasoline prices have retreated, diesel fuel prices have continued to rise. Much of the increase is attributed to the federal mandate for ultra-low-sulfur diesel (ULSD). The U. S. Environmental Protection Agency (EPA) mandated that the allowable sulfur content for ULSD be reduced from 500 parts per million to 15 parts per million effective June 1, 2006, for on-road diesel fuel. The EPA is also mandating the use of ULSD fuel in model year 2007 and newer diesel fuel engines designed for on-highway use. The EPA rule goes into effect for non-road, locomotive, and marine (NRLM) diesel fuel on June 1, 2007.

According to this month’s gas prices survey, Iowa’s statewide average for diesel was \$3.23, a record high. The price reflects the tight supply that is being experienced in some parts of the country.

The reasons for the tight supply could involve difficulty in making ultra-low-sulfur diesel fuel at a particular refinery, issues with storage terminals as they draw down inventory levels of regular diesel fuel to make room for ultra-low-sulfur diesel fuel, and potential problems with the distribution of ultra-low-sulfur diesel fuel through pipeline systems.

“Even if no major problems surface, the possibility that they might occur is high enough to push prices up,” said Foster.

Fuel prices are not regulated by state or federal laws, but companies are prohibited from joining together to set prices. Iowa retail prices react mainly to changes on the wholesale market, where oil, gasoline and diesel are traded as commodities. To limit the impact of high prices on their wallet, Iowa consumers can drive more efficiently, keep vehicles tuned up, and plan and combine trips. Consumers can also choose ethanol at the pump, purchase E-85 for flexible fuel vehicles and choose biodiesel blends for diesel vehicles. To help consumers improve fuel efficiency, the Iowa DNR has placed tips and information on fuel savings and alternative fuels on its Web site at www.iowadnr.com.

Motor Fuels Survey State Average Price Per Gallon

Self-Serve	7/15/06	8/15/06	Difference 7/15 to 8/15
Regular Unleaded with 10% Ethanol	2.92	2.91	-0.01
Regular Unleaded	2.86	2.92	+0.06
Premium Unleaded	2.94	2.92	-0.02
Diesel	2.99	3.23	+0.24

Source: Oil Price Information Service, www.opisnet.com

10% Ethanol Average Retail Price Per Gallon -- Major Iowa Cities

	7/17/06	8/15/06	Difference
Ames	2.88	2.90	+0.02
Cedar Rapids	2.93	2.81	-0.12
Council Bluffs	2.88	2.85	-0.03
Davenport	2.98	2.97	-0.01
Des Moines	2.86	2.77	-0.09
Dubuque	2.90	2.90	No Change
Fort Dodge	2.94	2.93	-0.01
Iowa City	2.98	2.91	-0.07
Sioux City	2.88	2.88	No Change
Waterloo	2.87	2.87	No Change
Webster City	2.98	3.03	+0.05
Average Metro Price	2.92	2.91	-0.01

Source: Oil Price Information Service, www.opisnet.com

Heating Fuels Survey

	7/12/06	8/21/06	Difference
Natural Gas	5.89 (7/19)	7.17 (8/23)	+1.28
Propane	1.50	1.50	No Change
#2 Heating Oil	2.68	2.87	+0.19

Sources: Wall Street Journal, Iowa Department of Natural Resources